February 3, 1997

Bill Roth
Mark Young
Jim McLean
Dave

Mr. Norman Dressler
Klein Candy Co.
P.O. Box 1450
Wilkes Barre, PA 18703

Dear Mr. Dressler:

Subject: Klein Candy/R. J. Reynolds Meeting Summary - Next Steps

On behalf of the R. J. Reynolds combined Sales and Trade Marketing team, we thank you for the valuable input session conducted at your place of business on Tuesday, January 28 and Wednesday, January 29. As detailed notes of discussion points are in our possession, we wish to provide the following summary to your attention as follow-up and confirmation of both Immediate Action and Developmental Issues:

Immediate Action Steps

RJR Personnel Responsible: Jim McLean and Bill Roth

Bill Roth/ Mark Young

- Promotion Resources provided by RJR must be consistent to New York accounts, whether supplied by Bonanza or Klein Candy. Distributor Promotion Coverage (DPC) requires immediate follow-up to insure this.

Jim McLean

- New Account Program requires development to insure both RJR and Klein Candy offer quality service to retail. Package could include metal cigarette wall rack, door decal(s), change mat, etc. Offers RJR opportunity for expanded presence and Klein Candy a method of differentiating retail service. Final concept to be implemented by Klein Candy.

M. Buchanan B. Roth

- Opportunity exists for integration of Telezon Ordering System with RJR Retail Marketing Plan for Orlowski's. Would provide RJR and Klein Candy a major growth opportunity leveraging combined strengths for a long term positive relationship and three-way alliance (manufacturer, retailer, and wholesaler).

J. McLean

- RJR to provide out-of-stock information to assist Klein Candy in building retail/sales.

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Developmental Issues/Input

RJR Personnel Responsible: Tom Sullivan, Ray Gomez, Bruce Hatter, Mike Buckler

- Consistency of Manufacturer's Programs is of primary importance. This applies to Promotional and Incentive programs. Manufacturers must address continuity to insure a healthy distributor community in the future.

- Future Programs must provide a Win-Win for the manufacturer and distributor while allowing the distributor to make a reasonable return-on-investment. Distributors need program alternatives that provide on-going incentives to allow for short/long term financial planning. One to three year agreements should be considered.

- Distributors want the ability to differentiate themselves from their competitors. Conceptual ideas range from "Franchise", Hybrid, and Master Distributor programs to new approaches that could include Wholesale Trade Segment, Volume, and Service Capability requirements. Regardless of the long-term approach, manufacturers should provide "Bridge" programs to assist Wholesalers during the transitional phase. Technology can play an important role in this process.

- Wholesalers that are interested in the Cigarette Category for the long-term should receive primary consideration from the manufacturer and incentives should be structured accordingly. Wholesalers lacking this commitment are detrimental to the Cigarette Category.

- Wholesalers possess a major advantage over manufacturers in the area of account frequency. Both Wholesalers and Manufacturers need to work together to find new methods of capitalizing on combined Sales Force strength, and ultimately an extension of the RJR Sales Force with additional Marketing resource flexibility.

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In summary, we appreciate the valuable time and input provided by you and your team during our recent visit. It was very evident both during and after our time together that Klein Candy is planning for the future. The level of forward-thinking exhibited by Klein Candy in discussions was highly admirable and of the quality of which RJR is proud and honored to be associated. We agree that a major opportunity exists for RJR to provide leadership to the industry due to the indifference and/or arrogance exhibited by others and are committed to addressing this opportunity with the sense of urgency it deserves. We look forward to the continued, positive relationship between Klein Candy and RJR in addressing immediate and long-term issues in the same open and honest dialogue you made possible during our visit.

Sincerely,

Michael L. Buckler
Senior Manager
Retail and Wholesale Trade Program Development

MLB:sl

cc: Mr. D. L. Wilmesher
Mr. W. J. Roth
Mr. J. McLean
Mr. B. D. Hatter
Mr. R. T. Gomez
Mr. T. J. Sullivan

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